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State of Vermont
Public Service Board

July 22, 1999

Magalie Roman Salas
Office of the Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
TW-A325
Washington, D.C. 20554.

Re: CC Docket Numbers 96-45 and 96-262

Dear Ms. Salas:

Please find enclosed an original and eleven (11) copies of the Comments on Further Notice of Proposed Rulemaking of the Arkansas, Maine, Montana, New Hampshire, North Dakota, Vermont, West Virginia and Wyoming State Regulatory Agencies in the above docket. I understand that by filing eleven copies, each Commissioner will receive a personal copy of these comments.

I also enclose one additional copy, marked "STAMP COPY." Please date stamp this copy and return it to the person delivering this filing.

Sincerely,

George E. Young, Esq.
Associate General Counsel

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262

COMMENTS ON FURTHER NOTICE OF PROPOSED RULEMAKING OF THE ARKANSAS, MAINE, MONTANA, NEW HAMPSHIRE, NORTH DAKOTA, VERMONT, WEST VIRGINIA AND WYOMING STATE REGULATORY AGENCIES

INTRODUCTION

The Arkansas, Maine, Montana, New Hampshire, North Dakota, Vermont, West Virginia and Wyoming state utility commissions ("Commenting Non-Urban State Commissions") thank the Federal Communications Commission ("the Commission") for this opportunity to comment on the universal service issues presented in its Further Notice of Proposed Rulemaking ("NPRM"), FCC Item No. 99-119.

The Commenting Non-Urban State Commissions fully support the basic principles established in the Commission's Seventh Report and Order and Thirteenth Order on Reconsideration ("Seventh Order"). These principles include the Commission's recognition that:

- there is an important difference between comparability and affordability;
- the comparable rates standard applies to rate differences between rural and urban areas in different states, not just within a single state;
- there is a fundamental difference between enabling intrastate rates in rural and urban areas to be reasonably comparable and other goals, such as making intrastate subsidies explicit or making interstate subsidies explicit;
- costs are a more reliable measure of overall consumer effort than rates alone;
- the 25/75 split originally proposed by the Commission's earlier orders does not meet the statutory standard; and

- if the Commission is permitted by law to look to the states to provide some of the support for intrastate rates needed in rural areas, beyond a certain level of state effort, it is appropriate to meet the remaining need for support entirely from federal sources.

The Commenting Non-Urban State Commissions urge the Commission to conform its plan for universal service to these principles. The following comments are submitted to assist the Commission in that effort.

SUMMARY

The Commission has properly recognized that the Telecommunications Act of 1996 requires a universal service fund that can achieve comparability between rates in urban and rural areas. However, we are concerned that the Commission has confused the "affordable" standard with the "reasonably comparable" standard of section 254. We suggest that, based upon current cost model outputs, a benchmark of 115 percent of national average cost cannot meet the "reasonably comparable rates" standard. Using the output data from the June 16, 1999, model outputs, we have developed an approach that can meet the comparability standard without compromising the overall objectives of the Act.

Neither the appropriate size of the federal high cost fund nor the appropriate "benchmark" level can be determined until the Commission defines an average Urban Cost and adopts a Comparability Standard. We recommend the adoption of a five step process to test the sufficiency of any potential distribution system: (1) the Commission should measure the national average cost in urban areas by developing a sample of wire centers or other small areas located within the city limits of national urban areas and developing an average cost for that sample; (2) the Commission should define the national standard for "reasonably comparable rates" by determining how large a difference is allowable between the average urban cost and the cost in rural areas, net of federal support; (3) the Commission should select a national test benchmark; (4) the Commission should calculate Net Rural Cost in all study areas; and (5) the Commission should test the results.

Because of separations, incremental support need not exceed approximately 74 percent of incremental cost, as roughly 26 percent of total cost is already assigned to the interstate jurisdiction. Thus, the universal service fund need address only the differences in intrastate costs, calculating support payments based on the intrastate separated portions of the difference between the high cost study area cost and the benchmark cost.

In pursuit of the Congress' directive to ensure that rates in rural areas are "reasonably comparable" to those in urban areas, we recommend a Comparability Standard at 125 percent of

Urban Cost. We believe that the economic vitality of rural areas was a central concern of Congress when it enacted the "reasonably comparable rates and services" standards, and we urge the Commission to select a Comparability Standard that prevents rural rates from being so high as to deter economic development in rural states.

Using the updated outputs of June 16, 1999, we suggest that the Urban Cost benchmark may not be set any higher than $16.05, which is approximately 80 percent of national average cost. A carrier with unseparated costs in excess of $16.05 per month would be potentially eligible for federal support, which would be provided from federal sources only if the effort imputed to the state's ratepayers would be insufficient. Although the Joint Board recommended a benchmark of 115 percent of national average cost, using the parameters suggested by the Commenting Non-Urban State Commissions, the Joint Board's recommended benchmark produces an implied Comparability Ratio of 172 percent, which is clearly not comparable.

The Commission has also noted that the current high cost support for large carriers begins at 115 percent of the national average loop cost. We urge the Commission to give no weight to this existing practice, as that threshold was in place long before the Act established the "reasonably comparable" standard. Further, there is no evidence to indicate that the Congress believed that a threshold of 115 percent would lead to "reasonably comparable rates."

The Commission has sought comment on whether comparing costs to the benchmark at the study area level is more consistent with a vision of a federal mechanism for reasonable rate comparability that focuses on support flows *among* states rather than *within* states. While this issue is not as central as the preceding questions, we believe that federal support should be calculated based upon costs that are averaged over an area no smaller than a study area, as calculating support at a scale smaller than the study area will increase support to areas with heterogeneous cost structures, even if those states already have comparable rates.

The Commenting Non-Urban State Commissions also believe that calculating support at a scale smaller than the study area will tend to reduce support for other high cost areas with homogeneous costs, thereby jeopardizing rate comparability. As confirmed by the recently released cost model output data, calculating support by wire center, rather than study area, substantially increases the size of the federal fund. Assuming a benchmark of 100 percent of national average cost, 74 percent incremental support, and a state effort of $2.00 per month, federal support calculated by study area is $1.15 billion. Using those same parameters at the wire center level, the federal cost escalates to $5.60 billion, an increase of more than 480 percent. The Commenting Non-Urban State Commissions also believe that support should not be calculated below the study area level, as

such measure might actually exacerbate, rather than solve, the comparability problem. If support is calculated at the wire center level, support will increase for those carriers with heterogeneous cost structures, even if they do not have high rates and costs. Such additional support would allow further rate reductions by carriers that may already have low rates overall, and those reductions will likely be in areas that now have the lowest costs and rates, *i.e.,* urban areas. Reducing rates in urban areas would heighten the existing lack of comparability, causing a further increase in the need for federal support.

We recognize that the high cost funding aspect of universal service has been a difficult process, beset by several delays. However, high cost states have long awaited the rate comparability relief required by the Act. For this reason, if the proxy model is not ready by October 1999, we nonetheless urge the Commission to implement an interim support system for non-rural carriers on January 1, 2000, based upon the accounting costs currently reported by incumbent local exchange carriers. Such an interim support system should abolish all size-based distinctions for non-rural carriers, as such distinctions are not competitively neutral and serve to disadvantage customers of the largest carriers.

Finally, the Commenting Non-Urban State Commissions urge the Commission to continue addressing the confusion between access reform and universal service. While the Commission's May order clarified that confusion created two years ago by the "25-75" decision, a clear and continuing distinction between access reform and universal service in imperative for identifying the lines of legal authority. While most parties agree that removal of implicit transfers through interstate access charges is squarely within the Commission's purview, such action has nothing to do with achieving comparability for supported services. The Commenting Non-Urban State Commissions offer two reasons for such a conclusion: (1) interstate toll service and access is not one of the identified elements of universal service and, therefore, cannot be supported with universal service funds; and (2) the Commission's cost models exclude all network elements attributable to the toll network and, therefore, the cost models currently under development are unsuitable for any purpose associated with toll or access costs.

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I. THE COMPARABILITY STANDARD CANNOT BE SUBSUMED UNDER THE AFFORDABILITY STANDARD.

The Commission has properly recognized that the Act requires a universal service fund that can achieve comparability between rates in urban and rural areas. However, we are concerned that in, Paragraph 30, the Commission confused the "affordable" standard with the "reasonably comparable" standard. These two standards are separate and distinct and reflect congressional intent to ensure that rates are both affordable and comparable. Paragraph 30 incorrectly implies that the comparability requirements of Section 254 of the Telecommunications Act of 1996 (the Act) are predicated on the development of local competition causing "unreasonable increases in rates above current affordable levels." Nothing in Section 254 of the Act, however, links comparability to affordability; the requirement for a federal universal service fund sufficient to produce comparable rates between urban and rural areas is unambiguous and unconditional. Even if competition should fail to appear and even if all rates are currently affordable, Section 254 still requires a larger federal universal service fund: the existing high cost fund program is not sufficient because it does not produce reasonably comparable rates.

II. THE COMMISSION'S PROPOSAL REGARDING THE PER LINE SUPPORT AMOUNT THAT IS IMPUTED TO THE STATES IS REASONABLE

The Commission sought comment on the fixed per-line dollar amount that should be set to estimate a state's ability to support its high cost areas internally. The Commission suggested that the amount should be set between $1.00 and $2.00 per line. That amount is derived from the fact that $1.00 to $2.00 is from 3% to 6% of the Commission's original revenue benchmark. The Commenting Rural States Commissions believe the $1.00 to $2.00 per line range is reasonable and should be adopted. An amount higher than $2.00 is unreasonable since our recommendation to use study area averaging already assumes a relatively high degree of imputed internal state support.

III. BASED UPON CURRENT COST MODEL OUTPUTS, A BENCHMARK OF 115 PERCENT OF NATIONAL AVERAGE COST CANNOT MEET THE REASONABLY COMPARABLE RATES STANDARD

The Commission seeks further comment on the level at which it should set the national benchmark, including comment on what additional factors and considerations it should take into account before selecting a final national benchmark level (¶¶ 97, 99). It also seeks comment on whether the national benchmark should fall within the Joint Board's recommended range. (¶ 97).

On June 16, 1999, the Commission released model outputs, by carrier and by wire center.[1] We have used that output data to develop a recommended "benchmark."

A. Neither the appropriate size of the federal high cost fund nor the appropriate "benchmark" level can be determined until the Commission defines an average Urban Cost and adopts a Comparability Standard.

To test the sufficiency of any potential distribution system (including the benchmark, which is a critical variable in any system) the Commission should take five steps:

1. The Commission should measure the national average cost in urban areas ("Urban Cost"). This requires developing a sample of wire centers or other small areas located within the city limits of national urban areas and developing an average cost for that sample. Absent such a study, the costs in the District of Columbia are the only available data, since Bell Atlantic of the District of Columbia is the only nonrural carrier serving a purely urban study area.

2. The Commission should define the national standard for reasonably comparable rates ("Comparability Standard"). This requires a determination of how large a difference is allowable between the average in urban cost and the cost in rural areas, net of federal support. For example, the Commission might determine that a standard of 125% of urban cost is within the range of "reasonable comparability."

3. The Commission should select a national test benchmark.[2] This may be, as the NPRM suggests, a multiple of the national average cost.

4. The Commission should calculate Net Rural Cost in all study areas. This Net Rural Cost is variable that identifies the areas where universal service support is needed. The Commission should consider here all factors affecting final cost, including federal support, any imputed state support, and the effort that ratepayers must make to provide any imputed state support.[3] The formula for Net Rural Cost for each carrier follows:

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[1] DA 99-1165 (June 16, 1999). Revisions were made to the electronic spreadsheets by DA 99-1322; but the revisions are not material here.

[2] The "benchmark" in the Commission's order refers to the national uniform cost amount that is subtracted from the calculated cost in each study area (or wire center) in order to calculate the need for support of the study area (or wire center).

[3] "Imputed state support" is the amount on a per line basis that each state is deemed to provide to the carrier toward reaching the benchmark from resources within the state (thought not necessarily from within that carrier). "Imputed state effort" is the per line amount needed from the customers of all carriers in the state to fund the imputed state support. In a state with only one nonrural carrier, imputed state support and imputed state effort, the last two terms in the formula, will be equal and thus will cancel. (See ¶ 110, 111 of the NPRM)

Net Rural Cost =	*Gross Rural Cost (cost model output) for carrier* *- Federal Support to carrier* *- Imputed State Support to carrier* *+ Imputed State Effort in carrier's state*

5. The Commission should test the results. If the test benchmark is too high, federal support will be insufficient and Net Rural Cost will be too high for some carriers. Failure will be evident if, for any rural study area, the following test is true:

*Net Rural Cost > (Urban Cost * Comparability Standard)*

If the results do not satisfy the comparability standard, the Commission needs to adjust one or more parameters of the distribution. The most important parameter is the test benchmark identified in step (3) above. Therefore, the Commission should return to step (3) and repeat the process with a new and lower test benchmark.[4]

In summary, assuming that the Commission is successful in developing definitive cost model outputs by the fall of 1999, it should then make three findings in its order, to take effect on January 1, 2000:

1) The Commission should define an Urban Cost Standard or Level.
2) The Commission should define a Comparability Standard, as a maximum permissible ratio of rural costs to urban costs.
3) The Commission should test whether any benchmark it anticipates using, combined with other factors in the distribution plan, has the effect of meeting the Comparability Standard.

B. Because of separations, incremental support need not exceed approximately 74 percent of incremental cost.

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[4] Some cost patterns that are not readily apparent will influence the results. If all else is equal, the following circumstances will generally require a lower benchmark and thus more federal support:

1. relatively more lines, and higher cost lines, in high-cost areas;
2. a lower average urban cost;
3. more high cost study areas located in states with relatively few access lines from which to draw imputed support; or
4. inclusion of a hold-harmless mechanism which guarantees a company its existing support level.

Separations already assigns roughly 26 percent of total cost to the interstate jurisdiction.[5] While a portion of interstate cost is recovered directly from individual customers (through the SLC), the limitations on the size of the SLC already constrain the difference between prices for customers in low and high cost study areas. For that reason, the Commenting Non-Urban State Commissions believe that the universal service fund per se need address only the differences in intrastate costs. In other words, support payments should be calculated based on the intrastate separated portions (approximately 74%) of the difference between the high cost study area cost and the benchmark cost.[6]

C. The national Urban Cost appears to be no higher than $15.00 per line per month.

The model outputs for study areas released on June 16, 1999 show that the average cost in the District of Columbia is $11.65. This may be extraordinarily low because of an unusually high density of lines in the District. In some other study areas that include rural areas, however, the costs are not much higher; New Jersey Bell's cost is $14.99, Illinois Bell's cost is shown at $15.67, and Pacific Bell of California is shown at $15.60. Based upon this data, it appears likely that the average cost in purely urban areas, and hence the "Urban Cost" is between $12 and $15.

The Commission also released model outputs by wire center, allowing another approach to estimating average urban costs. Urban areas tend to have the largest number of customers per wire center; sorting of the wire center data by line size thus allows an estimation of average urban cost. The FCC's published data show 302 wire centers with 50,000 lines or more; their average weighted cost is $14.53.

For the purposes of our analysis, we have assumed an unseparated Urban Cost of $15.00. This is the upper extreme of plausible values from the study area data, and slightly higher than the average cost of large wire centers serving 50,000 lines or more. The choice of $15.00 minimizes the size of the federal fund, a stated goal of the Commission. On a separated basis, assuming a 74 percent intrastate separations factor, the Separated Intrastate Urban Cost is $11.10.

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[5] Separations assigns exactly 25% of loop costs to interstate. When other facilities such as switching and trunking are added, the average for nonrural carriers is approximately 26%.

[6] We have used the 74% intrastate figure here (and 26% the interstate figure earlier) for illustrative purposes. Some companies may have separations factors that differ from these numbers. The Commission should use company-specific separations factors when making support calculations rather than the illustrative figure.

D. The Commission should set a Comparability Standard at 125 percent of Urban Cost.

When Congress directed the Commission to ensure that rates in rural areas are "reasonably comparable" to those in urban areas, it was not specific, leaving the Commission to provide a concrete meaning for this term. The Commission has some discretion to set the comparability standard, and there is a range of permissible standards that, in our view, would be consistent with the Act.

A standard requiring "reasonably comparable" rates is less demanding standard than a standard requiring "equal" rates. The Joint Board and the Commission have interpreted the term "reasonably comparable" to refer to "a fair range of urban and rural rates both within a state's borders, and among states nationwide."[7] Yet this phrase, while perhaps more definite than "reasonably comparable" by itself, is not self-executing because it does not define what is a "fair range."

The intent of Congress in enacting Section 254 may be defined by court decisions interpreting the phrase "reasonably comparable." This past usage can provide some insight into how much discretion the Commission has today.

Generally the term "reasonably comparable" has been defined narrowly, although not usually with a precise quantitative content. The most relevant precedent can be found in context of natural gas regulation. Under Section 311 of the Natural Gas Policy Act, the Federal Energy Regulatory Commission may approve the transportation rates of *intrastate* natural gas pipelines only if they are "fair and equitable" and are "reasonably comparable" to the rates that would be allowed to an *interstate* pipeline, which pipelines are fully regulated. Over the years, the FERC has narrowly construed this standard. In one case, the FERC stated that an intrastate rate is "reasonably comparable" if it is within the range of interstate rates in the area; that is, an intrastate rate may be "somewhat higher than some of the comparison rates, as long as it is lower than others."[8] In other cases under Section 311, the FERC has adopted an even narrower construction, essentially requiring rates that are similar to those that would be set by an interstate pipeline.[9] Indeed, one FERC

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[7] *Second Recommended Decision*, 13 FCC Rcd at 24753, para. 15.

[8] *Producer's Gas Company*, 35 FERC P 63,042 (Issued May 12, 1986).

[9] *E.g., Phenix Transmission Company*, 32 FERC P 61,096 (July 23, 1985); *Mustang Fuel Corp.*, 31 FERC P 61,265 (June 4, 1985).

commissioner has even characterized the FERC policy as defining "reasonably comparable" to mean "essentially equal."[10] In summary, in a situation highly analogous to the present one -- where rates set by a federal agency must be "reasonably comparable" to a standard -- the agency has allowed only small deviations, if any at all, from the rates providing the basis for comparison. Applying a similar standard in this instance, rural costs (net of support) would need to be within the range of urban costs, or have only a small deviation from such costs.

The phrase "reasonably comparable" has also been applied by courts in a variety of other contexts. These cases strongly suggest that the Commission must define narrowly the permissible differences between urban and rural rates. For example, one case suggests that a synonym for "reasonably comparable" is "roughly equivalent."[11] In the context of property taxation, where the value of property is sometimes defined by the sale prices of "reasonably comparable" properties, the parameters are narrow as to what may be considered a reasonably comparable property.[12]

Rural economic development is an important factor in comparable rates. When rates in rural areas are comparable, rural economic development will not be hindered by noticeably higher telecommunications costs. The Commission should select a Comparability Standard that prevents rural rates being so high as to deter economic development in rural areas. The question thus becomes: When is a rate differential sufficient to affect rural economic development?

We believe the economic vitality of rural areas was a central concern of Congress when it enacted the reasonably comparable rates and services standard in section 254(b)(3). Telemarketers, customer service providers, or other telecommunications-intensive businesses considering whether

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[10] One FERC Commissioner stated in 1988:

> In my judgment, the Commission in ... this case has carried the statutory standard under sec. 311(a)(2) of the NGPA to the unnecessarily extreme and strained result of duplicating directly the ratemaking practices and standards applicable to long-line interstate pipe lines under the just and reasonable standard of the Natural Gas Act, rather than seeking to establish rates which are fair and equitable and do not exceed amounts reasonably comparable to those which interstate pipelines would be permitted to charge for similar transportation services."

Delhi Gas Pipeline Corp., 43 FERC P 61,024 April 8, 1988 (Trabandt, concurring).

[11] *The Dartmouth Review v. Dartmouth College*, 889 F.2d 13, 19 (1st Cir. 1989).

[12] *E.g.*, two rental properties were "reasonably comparable" for purposes of property tax valuation, where they were physically adjacent, had same exterior and similar interior design, and one had 68 one-bedroom apartments and 54 two-bedroom apartments while the other had 40 one-bedroom apartments and 84 two-bedroom apartments, even though second property was larger, and offered three-bedroom townhouses, and had recreational facilities. *Wisconsin v.City of Madison*, 178 Wis.2d 577, (1993).

to locate in an urban or rural area might be deterred from choosing the rural area by a relatively small cost increment. While many factors affect on such location decisions, telecommunications cost can be important, particularly for the telecommunications-intensive businesses that are increasingly important for rural economic vitality.

The existing household penetration rate cannot be used as an indicator of existing rate comparability. Households in rural areas, for obvious reasons, need phones at least as much as their urban counterparts. High penetration is likely to indicate a high "value" of telephone service, even where the price is relatively high. The fact that virtually all customers, even in rural areas, can afford telephone service does not imply that the Congressional mandate of comparability has been achieved.

A purpose of the comparability standard (as distinct from the "affordability" standard) is that the cost of telephone services should not be a determining factor in people's choice of where to live and work. Where differences in rates are modest, telephone service prices will not be seen as an important factor.[13] Where differences are greater, rural development is likely to be adversely affected.

While a plausible upper limit for the comparability standard may be difficult to define, there certainly are points beyond that limit. For example, the Commission would certainly violate the Act with a Comparability Standard of 200 percent. It is implausible to suggest that a $15 price is "comparable" to a $30 price for the same service. Indeed, if "comparability" has any meaning at all, these two prices are not comparable; they are more different than they are alike.

On balance, the Commenting Non-Urban State Commissions believe the Commission would meet the objectives of the Act by establishing a Comparability Standard of 125 percent. This allows a 25 percent difference between Net Rural Cost and Urban Cost; what one customer obtains for $1.00, another customer must pay $1.25. This difference is clearly noticeable to a customer and would normally provide a strong basis for a customer to select the lower price, if it were available. A 125% standard, in our view, is at the extreme limit of what the Act permits.

Applying a Comparability Standard of 125 percent would therefore produce a maximum unseparated Net Rural Cost of $18.75. On a separated intrastate basis, assuming that 26% of costs are recovered by the interstate jurisdiction through other means, the separated intrastate cost equals $13.87 (= $15.00 *125% * 74%).

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[13] Even where prices are equal, the value of service may not be equal, particularly as to the number of access lines that may be reached through a local call.

E. Based upon updated model outputs, the "urban cost" benchmark may not be set any higher than $16.05, which is approximately 80 percent of national average cost.

The NPRM encourages commenters to use updated outputs from the Commission's forward looking model in formulating their comments (e.g. ¶ 105). On June 16, 1999, the Commission released updated model outputs for that purpose. This allows, on a provisional basis, evaluation of the effects of the benchmark ranges suggested by the Joint Board.

We noted above that a Comparability Standard of 125% requires a separated Net Rural Cost no higher than $13.87. The Commission has sought comment on how a benchmark could be selected that is a multiple of the national average unseparated cost of $20.14. Using the updated model outputs, it appears a Net Rural Cost no higher than $13.87 can be achieved with three parameters:

- a benchmark of 79.67 percent of the national average cost of $20.14; which equals $16.05;
- a federal payout share of 74% on incremental cost; and
- an imputed state effort of $2.00 per line per month.[14]

Therefore, any carrier with unseparated costs in excess of $16.05 per month would be potentially eligible for federal support. That support would be provided from federal sources only if the effort imputed to the state's ratepayers would be insufficient.

The total support need for such a program, on an annual basis, is $5.61 billion. However, because of the imputed state contribution feature, nearly half of this need would take the form of state effort. The need for federal support would be $3.14 billion, before the application of a hold-harmless provision. The details of this distribution, including its affect on Net Rural Cost, are shown in Appendix A.

The Joint Board recommended a benchmark of not less than 115 percent of the national average cost. For two reasons, the Commission should reject this advice from the Joint Board. First, the recommendation does not appear to have been based upon any assessment of whether it meets

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[14] If the Commission selected a lower state effort parameter, it could still meet the same 125% Comparability Standard with a higher benchmark.

For example, if the State Effort were $1.00 per line per month, instead of $2.00, the benchmark could be 86% of the national average, rather than 80%. Federal support would increase only slightly from $3.14 billion to $3.21 billion.

If State Effort were zero, in instead of $2.00, the benchmark could be 93% of the national average, rather than 80%. Federal support would rise from $3.14 billion to $3.48 billion.

the statutory standard. Nothing in the Joint Board's *Recommended Decision* suggests that the Joint Board engaged in any empirical analysis to select its recommended minimum benchmark.

Furthermore, using the Commission's published outputs, the Joint Board's recommendation is demonstrably unable to achieve a plausible Comparability Standard. Using all the same parameters described above (state contribution of $2.00 and incremental payout at 74 percent), but a benchmark of 115 percent of national average cost produces a maximum net rural cost that is 172 percent of urban cost. 172 percent is clearly not within the range of "reasonably comparable," and the Commission should reject the Joint Board's recommendation.

The Commission has also noted that current high cost support for large carriers commences at 115 percent of the national average loop cost. The Commission should give no weight to this existing practice. That 115 percent threshold was in place long before the Act established the "reasonably comparable" standard. The Commenting Non-Urban State Commissions are not aware of any evidence that the Congress had an expectation, one way or the other, as to whether a threshold of 115% could lead to reasonably comparable rates. In light of the evidence presented here that the 115% benchmark violates the comparability standard in the Act, the Commission should disregard this misplaced historical precedent.

IV. FEDERAL SUPPORT SHOULD BE CALCULATED BASED UPON COSTS THAT ARE AVERAGED OVER AN AREA NO SMALLER THAN A STUDY AREA.

The Commission has sought comment on whether comparing costs to the benchmark at the study area level is more consistent with a vision of a federal mechanism for reasonable rate comparability that focuses on support flows *among* states rather than *within* states. The Commission also sought specific comment on the extent to which competition is likely to place steadily increasing pressure on implicit support flows from low-cost areas and the extent to which this pressure suggests that the Commission should deaverage federal support (¶ 105).

A. Calculating support at a scale smaller than the study area will increase support to areas with heterogeneous cost structures, even if they already have comparable rates.

The effect of heterogeneous costs can be seen by considering a simplified case with two carriers, each of which has two wire centers, and each of which has local rates that are averaged across its service area. Carrier A has a homogeneous service area, and has a cost of $31 per month per line in each area. Therefore, Carrier A has an average company-wide cost of $31 per month, and

it has averaged rates of $31 per month.[15] Carrier B has lower average cost, $26, but it serves a heterogeneous area. 90 percent of carrier B's customers live in Wire Center #1, a low-cost area that has a cost of $20 per month. However, 10 percent of Carrier B's customers live in Wire Center #2, a remote high-cost area with an average cost of $80 per month. Carrier B therefore has rates of $26 per month for all customers. Carrier B's Wire Center #1 customers are providing a greater contribution than are the Wire Center #2 customers

Suppose that the Commission has set a benchmark of $30 per month for federal support. Carrier A will be eligible for $1 of support per line.

For Carrier B, however, the result is quite different. If the calculation is performed at the study area level, Carrier B will receive no support. Its average cost is $26, which is well below the benchmark. If, however, support is calculated on a wire center basis, Carrier B becomes entitled to a significant amount of support, indeed more than Carrier A. This support derives solely from the cost characteristics of the 10 percent of its customers living in a high-cost area. The amount of this federal support would be sufficient to give customers in Carrier B's Wire Center #2 rates of $30 per month, an amount that is equal to the federal benchmark. If Carrier B applies the federal support to reduce the rates of all its customers, Carrier B will be able to lower rates from $26 to $21 per month. Carrier B's customers, who begin with rates that are $4 lower than Carrier A's customers, end with rates that are $9 lower.

This example is illustrated in Table 1 below, assuming that Carrier A and Carrier B each serve one million lines.

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[15] For purposes of simplicity, other sources of revenue, such as those from business lines, toll, access and vertical services, are excluded here.

Table 1.
Effect of Cost Heterogeneity on Federal Support

Carrier	Carrier A			Carrier B		
Wire Center	WC #1	WC #2	Tot/Avg	WC #1	WC #2	Tot/Avg
Base Data:						
Number of Lines	500,000	500,000	1,000,000	900,000	100,000	1,000,000
Cost	31.00	31.00	31.00	20.00	80.00	26.00
Current Rates	31.00	31.00		26.00	26.00	
If Support is Calculated by Study Area Cost:						
Federal Benchmark	30.00	30.00	30.00	30.00	30.00	30.00
Support			1,000,000			-
Net Cost			30.00			26.00
Future Rates	30.00	30.00	30.00	26.00	26.00	26.00
If Support is Calculated by Wire Center Cost:						
Federal Benchmark	30.00	30.00		30.00	30.00	
Support	500,000	500,000	1,000,000	-	5,000,000	5,000,000
Net Cost	30.00	30.00		20.00	30.00	
Future Rates	30.00	30.00	30.00	21.00	21.00	21.00

It is noteworthy that Carrier B's customers in this example do not suffer from high initial rates. Their rates of $26 are below the benchmark. However, when support is calculated by wire center, Carrier B receives five million dollars of support, and is able to lower further its rates by $5 per month. The sole basis for this support is Carrier B's heterogeneous cost structure. The support is available only because Carrier B has wire centers with high costs. By measuring costs at the wire center level, high cost wire centers produce support, even when there are nearby low-cost wire centers and average costs are low. The support, therefore, would be for a heterogeneous cost structure, not to reduce high rates.

B. Federal support for heterogeneous cost structures is not required by the Act and is not economically necessary.

Commenting Non-Urban State Commissions submit that there is no statutory purpose served by providing support to low average cost carriers with heterogeneous costs. However, if the Commission wishes to provide additional support for companies with heterogeneous cost structures, the Commenting Non-Urban State Commissions would not object, so long as that support is not

provided at the expense of comparability.[16]

One way of looking at cost for heterogeneous cost structures is as "implicit intrastate support." Some have argued that this is a proper federal role when competition starts to erode the ability of states to maintain existing implicit support.[17] The Seventh Order properly recognized that the Commission has either no role or, at most, a very limited role in influencing such intrastate rate arrangements, stating that:

> We agree with the Joint Board that the erosion of intrastate implicit support does not mean that federal support must be provided to replace implicit intrastate support that is eroded by competition. Indeed, it would be unfair to expect the federal support mechanism, which by its very nature operates by transferring funds among jurisdictions, to bear the support burden that has historically been borne within a state by intrastate, implicit support mechanisms.[18]

The Commenting Non-Urban State Commissions do not fully agree with the characterization of varying contributions to common costs as "implicit support." Nevertheless, we agree with the Commission's main point: the Act does not require collection and distribution of federal funds for this purpose. It is less important whether the support that is not needed is characterized as "support for heterogeneous cost structures," "explicit support to replace implicit intrastate support," or as "federalizing intrastate transfers." The Act does not require, nor does it even suggest, that the Commission should provide such support.

Moreover, as the Joint Board and the Commission have recognized, federalizing implicit state transfers is not economically necessary. To the extent that carriers like Carrier B in Table 1 above presently have rates that are reasonably comparable, sufficient funding is presently being generated within the boundaries of the carrier's study area, and there is no need for federal support. In other words, federal support is needed only when rates cannot be made reasonably comparable from resources within a state, not when costs within the state vary widely. Federal support is not a necessary or appropriate substitute for existing state rate averaging.

C. Calculating support at a scale smaller than the study area will tend to reduce support for other high cost areas with homogeneous costs, thereby jeopardizing

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[16] This choice between supporting comparability and supporting heterogeneous cost structures is an artifact of the Commission's decision to limit the size of the fund.

[17] When competition develops, states can make the currently implicit subsidies explict and collect them from customers of all carriers, including those of CLECs.

[18] Seventh Order at ¶ 46.

rate comparability.

If support is calculated at a scale smaller than the study area, it could reduce the ability of the Commission to provide reasonably comparable rates in rural areas. This could arise in two ways. First, it could impair the Commission's ability to provide sufficient support for comparability. As Table 1 suggests, calculating support by wire center substantially increases the size of the federal fund. This is confirmed by the Commission's recently released cost model output data. Using one parameter set,[19] federal support calculated by study area (before hold–harmless) is $1.15 billion. Using the same parameters but calculating at the wire center level, the federal cost is $5.60 billion, more than 480 percent of the study area calculation.

The Commission has recognized that there are practical limits, both economic and political, on its ability to raise money for universal service support.[20] Since the total size of the fund is constrained, a decision to increase support for cost heterogeneity is very likely to be a decision to reduce support for comparable rates.

This reduction in support for comparability would most likely take the form of increasing the benchmark level. The effect would be to make numerous carriers with high cost but homogeneous cost structures carriers ineligible for support, and to significantly reduce support for those carriers with even higher costs who still remain eligible. The Commission should undertake to calculate cost at the wire center level only if it is certain that the added cost will not further constrain funds available for comparability.

Secondly, support should not be calculated below the study area level because to do so might actually exacerbate, rather than solve, the comparability problem. This effect would arise when carriers use the extra support to reduce rates. As demonstrated above, if support is calculated at the wire-center level, support will increase for carriers with heterogeneous cost structures, even if they do not have high rates and costs. This additional support will allow further rate reductions by carriers that may already have low rates overall, and those reductions will likely be in the areas that now have the lowest costs and rates. This could reduce rates in urban areas and exacerbate the

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[19] The parameters are a benchmark of 100 percent of national average cost, 74 percent incremental support, and a state effort of $2.00 per month.

[20] The Seventh Order stated that the Commission is

> hesitant to mandate large increases in explicit federal support for local rates in the absence of clear evidence that such increases are necessary either to preserve universal service, or to protect affordable and reasonably comparable rates, consistent with the development of efficient competition.

Seventh Order, ¶ 69.

existing lack of comparability, causing a further dramatic increase in the need for federal support.

D. A Comprehensive Approach is Essential.

The Commission has identified two choices for costing scale: study area and wire center. While this is an important issue, it is secondary to the more important question of whether the benchmark is low enough, and imputed state contribution is low enough, to produce comparable rates in all parts of the country. Commenting Non-Urban State Commissions believe that both of the possible costing scale choices can achieve comparability, but only if the Commission makes the correct choices in other, more fundamental, decisions that directly affect fund size. It is most important that the Commission make the correct choices in establishing the benchmark.

The Commenting Non-Urban State Commissions have, in responding to the Commission's questions, outlined an approach that can meet the comparability standard without compromising the overall objectives of the Act. These comments recommend steps in adopting an appropriate per line state contribution, a national benchmark, and a reasonable level of aggregation given the political limits of the overall size of the fund. It is important that the Commission recognize the combined effect of these three decisions. Reasonably comparable rates can best be achieved through the implementation of all three suggestions.

V. STATE COMMISSIONS SHOULD BE FREE TO REALLOCATE SUPPORT PAYMENTS WITHIN STUDY AREAS.

Although we advocate the use of study area average costs to determine the level of support to a carrier, we recommend that states be free to allocate those support payments within the study areas based on zone, individual exchange, or small area costs. In ¶ 72, the Commission has concluded that support will be portable and available to all eligible carriers through a portability mechanism. Unless support on a per line basis can be assigned to particular portions of a study area, a carrier serving the low cost portion of that study area will receive the support generated and needed by the high cost areas of the study area. That situation can be avoided by allocating the federal support received from federal sources to those portions of the study area that are high cost. For example, such an allocation mechanism may be necessary if the Commission requires that UNE pricing contain at least three deaveraged zones.

As an alternative to allowing states the flexibility to allocate funds within a study area, the Commission may wish to consider adopting a mechanism which allocates support which is calculated using study area average costs to the high cost areas of the study area.

VI. IF THE PROXY MODEL IS NOT READY BY OCTOBER 1999, THE COMMISSION SHOULD ON JANUARY 1, 2000 IMPLEMENT A NEW SYSTEM FOR NONRURAL CARRIERS BASED UPON EXISTING DATA.

High cost states have been waiting a long time for the relief required by the Act.[21] In January 2000, the Act will be nearly four years old. While there has been substantial movement on schools and libraries, rural health care, Lifeline, and Link-up, the Commission has not yet taken meaningful action to implement the Act's mandates on high cost support. The Commission has deferred action on this issue several times in order to permit more time to develop proxy cost models and to adopt inputs into those models. While the Commenting State Commissions are encouraged by reports of recent progress with the models, the FCC should avoid further delays while awaiting perfection of the model.

If the Commission is not prepared to finalize a forward-looking model including input values in sufficient time to calculate and distribute support to non-rural carriers on January 1, 2000, the Commission should establish an interim support program based upon the accounting costs currently reported by incumbent carriers. That program should abolish all size-based distinctions[22] for non-rural carriers, since these distinctions are not competitively neutral and disadvantage customers of the largest carriers. That program should also make an effort to measure all costs relevant to providing universal service, including loop, switching and trunking.

If the Commission has only limited confidence in its new forward-looking costs, it might consider adopting the proposal first made by Bell Atlantic.[23] Under that proposal, support would be distributed based upon a mixture of costs, some embedded and some forward-looking. The Commission could, for example, begin with a relatively thin mixture of forward-looking costs, perhaps 25% forward-looking and 75% embedded, and then use increasingly rich mixtures as it gains more confidence in the new model.

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[21] Vermont in particular has been waiting almost six years. It filed a petition in 1993 asking for relief from the 200,000 line rule. No action has ever been taken on that petition, and the Commission has done nothing to relieve the problem.

[22] The chief instance of size-based distinction for non-rural carriers is the difference in high cost support between carriers with more than 200,000 lines and those with fewer.

[23] Comments of Bell Atlantic on New Proposals, CC Docket Nos. 96-45, 96-160, DA98-715, filed May 15, 1998.

VII. IN DESIGNING A SYSTEM OF UNIVERSAL SERVICE SUPPORT, THE COMMISSION MUST DISTINGUISH BETWEEN ACCESS REFORM AND UNIVERSAL SERVICE.

The Commission's May order clarified greatly the confusion created two years ago by the "25 - 75" decision. The new order generally recognizes that there is a fundamental difference between spending money to redesign the recovery of interstate revenue requirements (access reform) and spending money to make rates for supported services reasonably comparable.

The distinction between access reform and universal service is important for identifying the lines of legal authority. As the Commission and the Joint Board concluded, the removal of implicit transfers through interstate access charges is squarely within the Commission's authority; yet this purpose has nothing to do with achieving comparability for supported services. We reach this conclusion for two reasons:

– Interstate toll service and access is not one of the identified elements of universal service, and therefore it cannot be supported with universal service funds.[24] Universal service is fundamentally directed toward basic residential services; while the Commission is appropriately considering whether to expand the group of basic services eligible for support, neither interstate toll nor access services have ever been suggested as appropriate candidates.

– The Commission's cost models exclude all network elements attributable to the toll network, and therefore the cost models under development now are unsuitable for any purpose associated with toll or access costs.

Section 254 does not give the Commission authority to raise money in order to reduce charges paid by interexchange carriers. Any new programs to reduce interstate access, even though legally proper, should not be derived under Section 254 and should not be characterized as universal service.[25]

For example, Long Term Support ("LTS") is a program with the effect of reducing interstate access charges for certain incumbent LECs. To the extent that this program does not affect consumer rates for services included in the definition of universal service, it is not "universal service" and has nothing to do with Section 254. Nevertheless, the Commission has, from time to

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[24] Section 254(e), which the Seventh Order cites as authority for reforming interstate access charges, Seventh Order at ¶ 41, does not support the proposition for which it is cited. Section 254(e) states that such support must be "sufficient to achieve the purposes of this section." There is no purpose in section 254 that relates to reform of interstate access charges.

[25] Another reason not to use current unseparated model-derived costs to support interstate access is that the current cost models apply to elements necessary to provide universal service. Interstate access is provided by additional facilities that are not included in the models.

time, considered LTS as just another variety of universal service, akin to high cost support or switching support.[26] This misidentification can result in an overstatement of the amount available for "universal service," resulting in less support being ultimately available for local rates.

VIII. CONCLUSION

The Commenting Non-Urban State Commissions appreciate the opportunity to comment on these issues of fundamental importance to universal service in rural areas.

[26] E.g., Seventh Order at ¶ 41.

RESPECTFULLY SUBMITTED,
JULY 23, 1999

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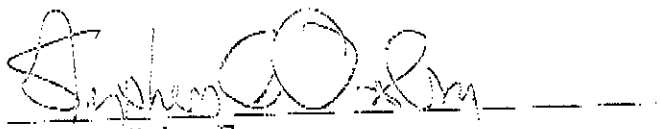
Concurring with respect to the Comment except for Section IV.C and that portion of the Summary which discusses it.



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Commenting Non-Urban State Commissions Filing - Exhibit A

Input Parameters:

Benchmark % =	79.67%	of Natl Avg. Cost
Federal Pay % =	74%	of cost
State Effort =	$ 2.00	/ line / mo.
Unseparated Urban Cost =	$ 15.00	/ line / mo.
Intrastate Separations Factor =	74%	
Comparability Standard =	125.00%	

Results:

Benchmark $ =	$	16.05	/ line / mo
Need for Support =	$	5,612,479,879	national total
Federal Support =	$	3,144,676,563	national total
State Effort =	$	2,467,803,316	national total
Intrastate Urban Cost =	$	11.10	/ line / mo.
Maximum Net Intrastate Cost =	$	13.87	/ line / mo.
Ratio of Maximum Cost / Urban Cost =		125.00%	
Passes 125% Comparability Standard?		**Passes**	

Hold Harmless Analysis Omitted

I. Need for Support, by Carrier

Support Need Calculation by Carrier

					Benchmark % =		79.7%	of Natl Avg
					Benchmark $ =	$	16.05	/ line / mo
					Federal Pay % =		74%	of cost
State	Study Area	Avg Monthly Cost per Line	All Switched Lines	(C)*(D)	$ /Line / Mo.		Annual $	Pct of State Total
AL	Contel Of The South Dba GTE Sou	57.20	118,851	6,798,277	$	30.45	43,432,839	15%
AL	GTE And Contel Of Alabama	43.07	155,511	6,697,859	$	20.00	37,317,198	13%
AL	South Central Bell-Al	28.86	1,801,778	51,999,313	$	9.48	205,006,672	72%
AR	Southwestern Bell-Arkansas	26.95	898,814	24,223,037	$	8.07	87,022,638	100%
AZ	Mountain Bell-Arizona	17.94	2,389,011	42,858,857	$	1.40	40,160,723	100%
CA	Contel Of California - California	35.05	321,289	11,261,179	$	14.06	54,216,685	98%
CA	GTE Of California	15.89	3,806,227	60,480,947	$	-	-	0%
CA	Pacific Bell	15.60	16,006,055	249,694,458	$	-	-	0%
CA	Roseville Telephone Company	17.46	102,593	1,791,274	$	1.05	1,287,358	2%
CO	Mountain Bell-Colorado	20.40	2,384,889	48,651,736	$	3.22	92,188,853	100%
CT	Southern New England Tel	18.97	2,099,704	39,831,385	$	2.16	54,502,030	100%
DC	C And P Telephone Company Of D	11.65	923,018	10,753,160	$	-	-	0%
DE	Diamond State Tel Co	18.96	500,823	9,495,604	$	2.16	12,955,393	100%
FL	GTE Floridainc	17.04	2,090,129	35,615,798	$	0.73	18,432,025	11%
FL	Southern Bell-Fl	17.12	5,761,947	98,644,533	$	0.79	54,905,629	33%
FL	Sprint-FL	21.82	1,812,228	39,542,815	$	4.27	92,903,880	56%
GA	Southern Bell-Ga	21.36	3,598,169	76,856,890	$	3.93	169,762,355	100%
HI	GTE Hawaiian Telephone Co Inc	16.23	613,082	9,950,321	$	0.14	996,753	100%
IA	Northwestern Bell-Ia	21.04	1,055,858	22,215,252	$	3.69	46,815,272	100%
ID	Mountain Bell-Idaho	25.25	472,339	11,926,560	$	6.81	38,601,152	100%
IL	Contel Of Illinois Inc Dba GTE - Illi	48.86	180,217	8,805,403	$	24.28	52,511,667	33%
IL	GTE Of Illinois	35.10	625,893	21,968,844	$	14.10	105,895,717	67%
IL	Illinois Bell Tel Co	15.67	6,264,639	98,166,893	$	-	-	0%
IN	Contel Of Indiana Inc Dba GTE - In	45.79	164,194	7,518,443	$	22.01	43,366,690	24%
IN	GTE Of Indiana	26.69	689,074	18,391,385	$	7.88	65,124,801	36%
IN	Indiana Bell Tel Co	20.53	1,871,463	38,421,135	$	3.32	74,502,579	41%
KS	Southwestern Bell-Kansas	22.86	1,239,765	28,341,028	$	5.04	75,006,038	100%
KY	Cincinnati Bell-Ky	24.33	181,349	4,412,221	$	6.13	13,338,909	7%
KY	GTE South Inc - Kentucky	31.33	416,296	13,042,554	$	11.31	56,497,115	28%
KY	South Central Bell-Ky	29.45	1,122,188	33,048,437	$	9.92	133,562,149	66%
LA	South Central Bell-La	24.11	2,130,620	51,369,248	$	5.97	152,552,831	100%
MA	New England Tel-Ma	16.23	4,109,503	66,697,234	$	0.14	6,681,256	100%

I. Need for Support, by Carrier

MD	C And P Tel Co Of Md	17.88	3,332,491	59,584,939	$ 1.36	54,245,643	100%
ME	New England Tel-Maine	29.40	629,415	18,504,801	$ 9.88	74,633,139	100%
MI	GTE North Inc-Mi	37.62	658,734	24,781,573	$ 15.96	126,193,018	49%
MI	Michigan Bell Tel Co	19.10	4,932,029	94,201,754	$ 2.26	133,714,242	51%
MN	Contel Of Minnesota Inc Dba GTE	64.41	116,134	7,480,191	$ 35.79	49,875,396	37%
MN	Northwestern Bell-Minnesota	20.53	2,103,813	43,191,281	$ 3.32	83,752,388	63%
MO	Contel Missouri Dba GTE Missouri	55.15	234,135	12,912,545	$ 28.94	81,299,962	37%
MO	GTE North Inc - Missouri	38.50	119,610	4,604,985	$ 16.62	23,848,249	11%
MO	Southwestern Bell-Missouri	21.38	2,368,354	50,635,409	$ 3.95	112,160,050	52%
MS	South Central Bell-Mississippi	38.34	1,224,211	46,936,250	$ 16.50	242,348,000	100%
MT	Mountain Bell-Montana	29.95	336,539	10,079,343	$ 10.29	41,548,905	100%
NC	Carolina Tel And Tel Co	33.03	1,045,627	34,537,060	$ 12.57	157,690,805	47%
NC	Central Tel Co-Nc	31.99	245,861	7,865,093	$ 11.80	34,807,674	10%
NC	Contel Of North Carolina Dba GTE	42.89	126,022	5,405,084	$ 19.86	30,039,436	9%
NC	GTE South Inc - North Carolina	20.16	188,843	3,807,075	$ 3.04	6,897,341	2%
NC	North State Tel Co-Nc	20.35	111,211	2,263,144	$ 3.18	4,249,529	1%
NC	Southern Bell-Nc	21.47	2,166,681	46,518,641	$ 4.01	104,340,870	31%
ND	Northwestern Bell-North Dakota	24.37	243,342	5,930,245	$ 6.16	17,985,165	100%
NE	Aliant	31.25	259,554	8,111,063	$ 11.25	35,040,674	45%
NE	Northwestern Bell-Nebraska	25.19	518,839	13,069,554	$ 6.77	42,124,853	55%
NH	New England Tel-Nh	23.61	708,389	16,725,064	$ 5.60	47,575,551	100%
NJ	New Jersey Bell	14.99	5,623,659	84,298,648	$ -	-	0%
NM	Mountain Bell-New Mexico	23.55	742,394	17,483,379	$ 5.55	49,463,787	100%
NV	Central Telephone Company - Nev	14.31	730,274	10,450,221	$ -	-	0%
NV	Nevada Bell	23.74	308,886	7,332,954	$ 5.69	21,101,425	100%
NY	New York Tel	16.03	10,765,482	172,570,676	$ -	-	0%
NY	Rochester Telephone Corp	18.74	527,349	9,882,520	$ 1.99	12,611,344	100%
OH	Cincinnati Bell-Ohio	17.23	747,459	12,878,719	$ 0.88	7,852,659	3%
OH	GTE North Inc-Oh	36.17	817,983	29,586,445	$ 14.89	146,167,841	52%
OH	Ohio Bell Tel Co	17.58	3,776,240	66,386,299	$ 1.13	51,409,000	18%
OH	United Tel Co Of Ohio	31.90	554,151	17,677,417	$ 11.73	78,010,832	28%
OK	GTE Southwest Inc - Oklahoma	34.16	107,886	3,685,386	$ 13.40	17,352,838	13%
OK	Southwestern Bell-Oklahoma	24.69	1,519,540	37,517,443	$ 6.40	116,625,616	87%
OR	GTE Of The Northwest	23.55	430,850	10,146,518	$ 5.55	28,706,418	40%
OR	Pacific Northwest Bell-Oregon	19.87	1,258,768	25,011,720	$ 2.83	42,733,923	60%
PA	Bell Of Pennsylvania	17.61	5,842,150	102,880,262	$ 1.16	81,090,247	64%
PA	GTE North Inc-Pa And Contel	26.42	502,560	13,277,635	$ 7.68	46,292,312	36%
RI	New England Tel-Ri	17.22	624,292	10,750,308	$ 0.87	6,503,254	100%
SC	GTE South Inc - South Carolina	28.96	175,291	5,076,427	$ 9.56	20,100,305	16%
SC	Southern Bell-Sc	24.66	1,335,219	32,926,501	$ 6.37	102,123,165	84%

I. Need for Support, by Carrier

SD	Northwestern Bell-South Dakota	27.30	262,654	7,170,454	$ 8.33	26,246,333	100%
TN	South Central Bell-Tn	24.96	2,470,701	61,668,697	$ 6.60	195,551,552	90%
TN	United Inter-Mountain Tel Co-Tn	26.58	232,393	6,177,006	$ 7.79	21,736,602	10%
TX	Central Telephone Company Of Te	30.64	185,248	5,675,999	$ 10.80	24,005,660	5%
TX	Contel Of Texas Inc Dba GTE Texa	63.37	223,812	14,182,966	$ 35.02	94,052,294	19%
TX	GTE Southwest Inc - Texas	27.08	1,506,518	40,796,507	$ 8.16	147,599,303	30%
TX	Southwestern Bell-Texas	19.07	8,528,179	162,632,374	$ 2.24	228,939,018	46%
UT	Mountain Bell-Utah	18.55	981,536	18,207,493	$ 1.85	21,816,999	100%
VA	C And P Tel Co Of Va	19.17	3,174,231	60,850,008	$ 2.31	88,030,968	36%
VA	Central Tel Co Of Va	41.96	263,787	11,068,503	$ 19.18	60,699,553	25%
VA	Contel Of Virginia Inc Dba GTE Vir	32.58	483,713	15,759,370	$ 12.23	71,015,747	29%
VA	United Inter-Mountain Tel Co-Va	44.90	100,166	4,497,453	$ 21.35	25,664,072	10%
VT	New England Tel-Vt	31.47	313,359	9,861,408	$ 11.41	42,916,711	100%
WA	GTE Northwest Inc - Washington	21.91	677,548	14,845,077	$ 4.34	35,275,999	44%
WA	Pacific Northwest Bell-Washington	18.33	2,250,796	41,257,091	$ 1.69	45,632,202	56%
WI	GTE North Inc-Wi	44.26	456,649	20,211,285	$ 20.88	114,405,281	70%
WI	Wisconsin Bell	18.75	2,005,228	37,598,025	$ 2.00	48,132,302	30%
WV	C And P Tel Co Of W Va	34.03	773,859	26,334,422	$ 13.31	123,577,394	100%
WY	Mountain Bell-Wyoming	33.55	225,950	7,580,623	$ 12.95	35,118,822	100%
	Average/Total	20.14	149,084,110	3,002,811,408		5,612,479,879	

II. Net Cost Calculation Sheet

Net Cost Results, by Carrier

Unseparated Urban Cost =	$ 15.00	/ line / mo.
Intrastate Urban Cost =	$ 11.10	/ line / mo.
State Effort =	$ 2.00	/ line / mo.

State	Study Area	All Switched Lines	Net Cost Calculation			
			Intrastate Cost	State and Federal Support (excl H-H)	State Effort	Net Cost
			$ /Line / Mo.	$ /Line / Mo.	$ /Line / Mo.	$ /Line / Mo.
AL	Contel Of The South Dba GTE South	118,851	42.33	$ (30.45)	2.00	13.87
AL	GTE And Contel Of Alabama	155,511	31.87	$ (20.00)	2.00	13.87
AL	South Central Bell-Al	1,801,778	21.36	$ (9.48)	2.00	13.87
AR	Southwestern Bell-Arkansas	898,814	19.94	$ (8.07)	2.00	13.87
AZ	Mountain Bell-Arizona	2,389,011	13.28	$ (1.40)	1.40	13.28
CA	Contel Of California - California	321,289	25.94	$ (14.06)	0.23	12.10
CA	GTE Of California	3,806,227	11.76	$ -	0.23	11.99
CA	Pacific Bell	16,006,055	11.54	$ -	0.23	11.77
CA	Roseville Telephone Company	102,593	12.92	$ (1.05)	0.23	12.10
CO	Mountain Bell-Colorado	2,384,889	15.10	$ (3.22)	2.00	13.87
CT	Southern New England Tel	2,099,704	14.04	$ (2.16)	2.00	13.87
DC	C And P Telephone Company Of DC	923,018	8.62	$ -	-	8.62
DE	Diamond State Tel Co	500,823	14.03	$ (2.16)	2.00	13.87
FL	GTE Floridainc	2,090,129	12.61	$ (0.73)	1.43	13.31
FL	Southern Bell-Fl	5,761,947	12.67	$ (0.79)	1.43	13.31
FL	Sprint-FL	1,812,228	16.15	$ (4.27)	1.43	13.31
GA	Southern Bell-Ga	3,598,169	15.81	$ (3.93)	2.00	13.87
HI	GTE Hawaiian Telephone Co Inc	613,082	12.01	$ (0.14)	0.14	12.01
IA	Northwestern Bell-Ia	1,055,858	15.57	$ (3.69)	2.00	13.87
ID	Mountain Bell-Idaho	472,339	18.69	$ (6.81)	2.00	13.87
IL	Contel Of Illinois Inc Dba GTE - Illinois	180,217	36.16	$ (24.28)	1.87	13.74
IL	GTE Of Illinois	625,893	25.97	$ (14.10)	1.87	13.74
IL	Illinois Bell Tel Co	6,264,639	11.60	$ -	1.87	13.46
IN	Contel Of Indiana Inc Dba GTE - Indiana	164,194	33.88	$ (22.01)	2.00	13.87
IN	GTE Of Indiana	689,074	19.75	$ (7.88)	2.00	13.87
IN	Indiana Bell Tel Co	1,871,463	15.19	$ (3.32)	2.00	13.87
KS	Southwestern Bell-Kansas	1,239,765	16.92	$ (5.04)	2.00	13.87
KY	Cincinnati Bell-Ky	181,349	18.00	$ (6.13)	2.00	13.87
KY	GTE South Inc - Kentucky	416,296	23.18	$ (11.31)	2.00	13.87
KY	South Central Bell-Ky	1,122,188	21.79	$ (9.92)	2.00	13.87
LA	South Central Bell-La	2,130,620	17.84	$ (5.97)	2.00	13.87
MA	New England Tel-Ma	4,109,503	12.01	$ (0.14)	0.14	12.01
MD	C And P Tel Co Of Md	3,332,491	13.23	$ (1.36)	1.36	13.23
ME	New England Tel-Maine	629,415	21.76	$ (9.88)	2.00	13.87
MI	GTE North Inc-Mi	658,734	27.84	$ (15.96)	2.00	13.87
MI	Michigan Bell Tel Co	4,932,029	14.13	$ (2.26)	2.00	13.87
MN	Contel Of Minnesota Inc Dba GTE Minnesota	116,134	47.66	$ (35.79)	2.00	13.87
MN	Northwestern Bell-Minnesota	2,103,813	15.19	$ (3.32)	2.00	13.87
MO	Contel Missouri Dba GTE Missouri	234,135	40.81	$ (28.94)	2.00	13.87
MO	GTE North Inc - Missouri	119,610	28.49	$ (16.62)	2.00	13.87
MO	Southwestern Bell-Missouri	2,368,354	15.82	$ (3.95)	2.00	13.87
MS	South Central Bell-Mississippi	1,224,211	28.37	$ (16.50)	2.00	13.87
MT	Mountain Bell-Montana	336,539	22.16	$ (10.29)	2.00	13.87
NC	Carolina Tel And Tel Co	1,045,627	24.44	$ (12.57)	2.00	13.87
NC	Central Tel Co-Nc	245,861	23.67	$ (11.80)	2.00	13.87
NC	Contel Of North Carolina Dba GTE No Caroli	126,022	31.74	$ (19.86)	2.00	13.87
NC	GTE South Inc - North Carolina	188,843	14.92	$ (3.04)	2.00	13.87
NC	North State Tel Co-Nc	111,211	15.06	$ (3.18)	2.00	13.87
NC	Southern Bell-Nc	2,166,681	15.89	$ (4.01)	2.00	13.87

II. Net Cost Calculation Sheet

ND	Northwestern Bell-North Dakota	243,342	18.03	$ (6.16)	2.00	13.87
NE	Aliant	259,554	23.13	$ (11.25)	2.00	13.87
NE	Northwestern Bell-Nebraska	518,839	18.64	$ (6.77)	2.00	13.87
NH	New England Tel-Nh	708,389	17.47	$ (5.60)	2.00	13.87
NJ	New Jersey Bell	5,623,659	11.09	$ -	-	11.09
NM	Mountain Bell-New Mexico	742,394	17.43	$ (5.55)	2.00	13.87
NV	Central Telephone Company - Nevada	730,274	10.59	$ -	1.69	12.28
NV	Nevada Bell	308,886	17.57	$ (5.69)	1.69	13.57
NY	New York Tel	10,765,482	11.86	$ -	0.09	11.96
NY	Rochester Telephone Corp	527,349	13.87	$ (1.99)	0.09	11.97
OH	Cincinnati Bell-Ohio	747,459	12.75	$ (0.88)	2.00	13.87
OH	GTE North Inc-Oh	817,983	26.77	$ (14.89)	2.00	13.87
OH	Ohio Bell Tel Co	3,776,240	13.01	$ (1.13)	2.00	13.87
OH	United Tel Co Of Ohio	554,151	23.61	$ (11.73)	2.00	13.87
OK	GTE Southwest Inc - Oklahoma	107,886	25.28	$ (13.40)	2.00	13.87
OK	Southwestern Bell-Oklahoma	1,519,540	18.27	$ (6.40)	2.00	13.87
OR	GTE Of The Northwest	430,850	17.43	$ (5.55)	2.00	13.87
OR	Pacific Northwest Bell-Oregon	1,258,768	14.70	$ (2.83)	2.00	13.87
PA	Bell Of Pennsylvania	5,842,150	13.03	$ (1.16)	1.67	13.55
PA	GTE North Inc-Pa And Contel	502,560	19.55	$ (7.68)	1.67	13.55
RI	New England Tel-Ri	624,292	12.74	$ (0.87)	0.87	12.74
SC	GTE South Inc - South Carolina	175,291	21.43	$ (9.56)	2.00	13.87
SC	Southern Bell-Sc	1,335,219	18.25	$ (6.37)	2.00	13.87
SD	Northwestern Bell-South Dakota	262,654	20.20	$ (8.33)	2.00	13.87
TN	South Central Bell-Tn	2,470,701	18.47	$ (6.60)	2.00	13.87
TN	United Inter-Mountain Tel Co-Tn	232,393	19.67	$ (7.79)	2.00	13.87
TX	Central Telephone Company Of Texas	185,248	22.67	$ (10.80)	2.00	13.87
TX	Contel Of Texas Inc Dba GTE Texas	223,812	46.89	$ (35.02)	2.00	13.87
TX	GTE Southwest Inc - Texas	1,506,518	20.04	$ (8.16)	2.00	13.87
TX	Southwestern Bell-Texas	8,528,179	14.11	$ (2.24)	2.00	13.87
UT	Mountain Bell-Utah	981,536	13.73	$ (1.85)	1.85	13.73
VA	C And P Tel Co Of Va	3,174,231	14.19	$ (2.31)	2.00	13.87
VA	Central Tel Co Of Va	263,787	31.05	$ (19.18)	2.00	13.87
VA	Contel Of Virginia Inc Dba GTE Virginia	483,713	24.11	$ (12.23)	2.00	13.87
VA	United Inter-Mountain Tel Co-Va	100,166	33.23	$ (21.35)	2.00	13.87
VT	New England Tel-Vt	313,359	23.29	$ (11.41)	2.00	13.87
WA	GTE Northwest Inc - Washington	677,548	16.21	$ (4.34)	2.00	13.87
WA	Pacific Northwest Bell-Washington	2,250,796	13.56	$ (1.69)	2.00	13.87
WI	GTE North Inc-Wi	456,649	32.75	$ (20.88)	2.00	13.87
WI	Wisconsin Bell	2,005,228	13.88	$ (2.00)	2.00	13.87
WV	C And P Tel Co Of W Va	773,859	25.18	$ (13.31)	2.00	13.87
WY	Mountain Bell-Wyoming	225,950	24.83	$ (12.95)	2.00	13.87
	Average/Total	149,084,110				
	Intrastate Urban Cost					11.10
	Maximum Net Rural Cost					13.87
	Ratio of Maximum / Urban Cost					125%

III. Imputed State Effort and Federal Responsibility

	A	B	C	D	E
1	**Allocation of Support**			State Effort =	$2.00
2	**Responsibility (Fed and State),**				
3	**by State**				
4					
5	State	State Lines	Total Support Needed	State Responsibility	Federal Responsibility
6	AL	2,076,140	285,756,709	49,827,360	235,929,349
7	AR	898,814	87,022,638	21,571,536	65,451,102
8	AZ	2,389,011	40,160,723	40,160,723	-
9	CA	20,236,164	55,504,044	55,504,044	-
10	CO	2,384,889	92,188,853	57,237,336	34,951,517
11	CT	2,099,704	54,502,030	50,392,896	4,109,134
12	DC	923,018	-	-	-
13	DE	500,823	12,955,393	12,019,752	935,641
14	FL	9,664,304	166,241,533	166,241,533	-
15	GA	3,598,169	169,762,355	86,356,056	83,406,299
16	HI	613,082	996,753	996,753	-
17	IA	1,055,858	46,815,272	25,340,592	21,474,680
18	ID	472,339	38,601,152	11,336,136	27,265,016
19	IL	7,070,749	158,407,383	158,407,383	-
20	IN	2,724,731	182,994,071	65,393,544	117,600,527
21	KS	1,239,765	75,006,038	29,754,360	45,251,678
22	KY	1,719,833	203,398,173	41,275,992	162,122,181
23	LA	2,130,620	152,552,831	51,134,880	101,417,951
24	MA	4,109,503	6,681,256	6,681,256	-
25	MD	3,332,491	54,245,643	54,245,643	-
26	ME	629,415	74,633,139	15,105,960	59,527,179
27	MI	5,590,763	259,907,260	134,178,312	125,728,948
28	MN	2,219,947	133,627,784	53,278,728	80,349,056
29	MO	2,722,099	217,308,261	65,330,376	151,977,885
30	MS	1,224,211	242,348,000	29,381,064	212,966,936
31	MT	336,539	41,548,905	8,076,936	33,471,969
32	NC	3,884,245	338,025,656	93,221,880	244,803,776
33	ND	243,342	17,985,165	5,840,208	12,144,957
34	NE	778,393	77,165,527	18,681,432	58,484,095
35	NH	708,389	47,575,551	17,001,336	30,574,215
36	NJ	5,623,659	-	-	-
37	NM	742,394	49,463,787	17,817,456	31,646,331
38	NV	1,039,160	21,101,425	21,101,425	-
39	NY	11,292,831	12,611,344	12,611,344	-
40	OH	5,895,833	283,440,333	141,499,992	141,940,341
41	OK	1,627,426	133,978,454	39,058,224	94,920,230
42	OR	1,689,618	71,440,341	40,550,832	30,889,509
43	PA	6,344,710	127,382,559	127,382,559	-
44	RI	624,292	6,503,254	6,503,254	-
45	SC	1,510,510	122,223,470	36,252,240	85,971,230
46	SD	262,654	26,246,333	6,303,696	19,942,637
47	TN	2,703,094	217,288,154	64,874,256	152,413,898
48	TX	10,443,757	494,596,275	250,650,168	243,946,107
49	UT	981,536	21,816,999	21,816,999	-
50	VA	4,021,897	245,410,341	96,525,528	148,884,813
51	VT	313,359	42,916,711	7,520,616	35,396,095
52	WA	2,928,344	80,908,201	70,280,256	10,627,945
53	WI	2,461,877	162,537,584	59,085,048	103,452,536
54	WV	773,859	123,577,394	18,572,616	105,004,778
55	WY	225,950	35,118,822	5,422,800	29,696,022
56					
57	Total	149,084,110	5,612,479,879	2,467,803,316	3,144,676,563
58					
59	Percent of Total		100%	44%	56%

IV. Federal Support by Carrier

Allocation of Federal Support, by Carrier

State	Study Area	Need for Support	ImputedState Support: Total State Effort of State	Carrier's Share of State Total of Support Need	Assumed State Effort for Carrier	Federal Support
AL	Contel Of The South Dba GTE South	$ 43,432,839	$ 49,827,360	15%	$ 7,573,378	$ 35,859,460
AL	GTE And Contel Of Alabama	$ 37,317,198	$ 49,827,360	13%	$ 6,506,995	$ 30,810,203
AL	South Central Bell-Al	$ 205,006,672	$ 49,827,360	72%	$ 35,746,987	$ 169,259,686
AR	Southwestern Bell-Arkansas	$ 87,022,638	$ 21,571,536	100%	$ 21,571,536	$ 65,451,102
AZ	Mountain Bell-Arizona	$ 40,160,723	$ 40,160,723	100%	$ 40,160,723	$ -
CA	Contel Of California - California	$ 54,216,685	$ 55,504,044	98%	$ 54,216,685	$ -
CA	GTE Of California	$ -	$ 55,504,044	0%	$ -	$ -
CA	Pacific Bell	$ -	$ 55,504,044	0%	$ -	$ -
CA	Roseville Telephone Company	$ 1,287,358	$ 55,504,044	2%	$ 1,287,358	$ -
CO	Mountain Bell-Colorado	$ 92,188,853	$ 57,237,336	100%	$ 57,237,336	$ 34,951,517
CT	Southern New England Tel	$ 54,502,030	$ 50,392,896	100%	$ 50,392,896	$ 4,109,134
DC	C And P Telephone Company Of DC	$ -	$ -	0%	$ -	$ -
DE	Diamond State Tel Co	$ 12,955,393	$ 12,019,752	100%	$ 12,019,752	$ 935,641
FL	GTE Floridainc	$ 18,432,025	$ 166,241,533	11%	$ 18,432,025	$ -
FL	Southern Bell-Fl	$ 54,905,629	$ 166,241,533	33%	$ 54,905,629	$ -
FL	Sprint-FL	$ 92,903,880	$ 166,241,533	56%	$ 92,903,880	$ -
GA	Southern Bell-Ga	$ 169,762,355	$ 86,356,056	100%	$ 86,356,056	$ 83,406,299
HI	GTE Hawaiian Telephone Co Inc	$ 996,753	$ 996,753	100%	$ 996,753	$ -
IA	Northwestern Bell-Ia	$ 46,815,272	$ 25,340,592	100%	$ 25,340,592	$ 21,474,680
ID	Mountain Bell-Idaho	$ 38,601,152	$ 11,336,136	100%	$ 11,336,136	$ 27,265,016
IL	Contel Of Illinois Inc Dba GTE - Illinois	$ 52,511,667	$ 158,407,383	33%	$ 52,511,667	$ -
IL	GTE Of Illinois	$ 105,895,717	$ 158,407,383	67%	$ 105,895,717	$ -
IL	Illinois Bell Tel Co	$ -	$ 158,407,383	0%	$ -	$ -
IN	Contel Of Indiana Inc Dba GTE - India	$ 43,366,690	$ 65,393,544	24%	$ 15,497,232	$ 27,869,458
IN	GTE Of Indiana	$ 65,124,801	$ 65,393,544	36%	$ 23,272,566	$ 41,852,236
IN	Indiana Bell Tel Co	$ 74,502,579	$ 65,393,544	41%	$ 26,623,746	$ 47,878,833
KS	Southwestern Bell-Kansas	$ 75,006,038	$ 29,754,360	100%	$ 29,754,360	$ 45,251,678
KY	Cincinnati Bell-Ky	$ 13,338,909	$ 41,275,992	7%	$ 2,706,891	$ 10,632,018
KY	GTE South Inc - Kentucky	$ 56,497,115	$ 41,275,992	28%	$ 11,465,071	$ 45,032,044

IV. Federal Support by Carrier

KY	South Central Bell-Ky	$ 133,562,149	$ 41,275,992	66%	$ 27,104,030	$ 106,458,119
LA	South Central Bell-La	$ 152,552,831	$ 51,134,880	100%	$ 51,134,880	$ 101,417,951
MA	New England Tel-Ma	$ 6,681,256	$ 6,681,256	100%	$ 6,681,256	$ -
MD	C And P Tel Co Of Md	$ 54,245,643	$ 54,245,643	100%	$ 54,245,643	$ -
ME	New England Tel-Maine	$ 74,633,139	$ 15,105,960	100%	$ 15,105,960	$ 59,527,179
MI	GTE North Inc-Mi	$ 126,193,018	$ 134,178,312	49%	$ 65,147,723	$ 61,045,295
MI	Michigan Bell Tel Co	$ 133,714,242	$ 134,178,312	51%	$ 69,030,589	$ 64,683,653
MN	Contel Of Minnesota Inc Dba GTE Mir	$ 49,875,396	$ 53,278,728	37%	$ 19,885,817	$ 29,989,579
MN	Northwestern Bell-Minnesota	$ 83,752,388	$ 53,278,728	63%	$ 33,392,911	$ 50,359,477
MO	Contel Missouri Dba GTE Missouri	$ 81,299,962	$ 65,330,376	37%	$ 24,441,579	$ 56,858,383
MO	GTE North Inc - Missouri	$ 23,848,249	$ 65,330,376	11%	$ 7,169,608	$ 16,678,641
MO	Southwestern Bell-Missouri	$ 112,160,050	$ 65,330,376	52%	$ 33,719,189	$ 78,440,861
MS	South Central Bell-Mississippi	$ 242,348,000	$ 29,381,064	100%	$ 29,381,064	$ 212,966,936
MT	Mountain Bell-Montana	$ 41,548,905	$ 8,076,936	100%	$ 8,076,936	$ 33,471,969
NC	Carolina Tel And Tel Co	$ 157,690,805	$ 93,221,880	47%	$ 43,488,514	$ 114,202,292
NC	Central Tel Co-Nc	$ 34,807,674	$ 93,221,880	10%	$ 9,599,380	$ 25,208,294
NC	Contel Of North Carolina Dba GTE No	$ 30,039,436	$ 93,221,880	9%	$ 8,284,379	$ 21,755,057
NC	GTE South Inc - North Carolina	$ 6,897,341	$ 93,221,880	2%	$ 1,902,172	$ 4,995,168
NC	North State Tel Co-Nc	$ 4,249,529	$ 93,221,880	1%	$ 1,171,950	$ 3,077,579
NC	Southern Bell-Nc	$ 104,340,870	$ 93,221,880	31%	$ 28,775,485	$ 75,565,386
ND	Northwestern Bell-North Dakota	$ 17,985,165	$ 5,840,208	100%	$ 5,840,208	$ 12,144,957
NE	Aliant	$ 35,040,674	$ 18,681,432	45%	$ 8,483,192	$ 26,557,482
NE	Northwestern Bell-Nebraska	$ 42,124,853	$ 18,681,432	55%	$ 10,198,240	$ 31,926,613
NH	New England Tel-Nh	$ 47,575,551	$ 17,001,336	100%	$ 17,001,336	$ 30,574,215
NJ	New Jersey Bell	$ -	$ -	0%	$ -	$ -
NM	Mountain Bell-New Mexico	$ 49,463,787	$ 17,817,456	100%	$ 17,817,456	$ 31,646,331
NV	Central Telephone Company - Nevada	$ -	$ 21,101,425	0%	$ -	$ -
NV	Nevada Bell	$ 21,101,425	$ 21,101,425	100%	$ 21,101,425	$ -
NY	New York Tel	$ -	$ 12,611,344	0%	$ -	$ -
NY	Rochester Telephone Corp	$ 12,611,344	$ 12,611,344	100%	$ 12,611,344	$ -
OH	Cincinnati Bell-Ohio	$ 7,852,659	$ 141,499,992	3%	$ 3,920,230	$ 3,932,430
OH	GTE North Inc-Oh	$ 146,167,841	$ 141,499,992	52%	$ 72,970,379	$ 73,197,463
OH	Ohio Bell Tel Co	$ 51,409,000	$ 141,499,992	18%	$ 25,664,566	$ 25,744,434
OH	United Tel Co Of Ohio	$ 78,010,832	$ 141,499,992	28%	$ 38,944,818	$ 39,066,014
OK	GTE Southwest Inc - Oklahoma	$ 17,352,838	$ 39,058,224	13%	$ 5,058,806	$ 12,294,032
OK	Southwestern Bell-Oklahoma	$ 116,625,616	$ 39,058,224	87%	$ 33,999,418	$ 82,626,198
OR	GTE Of The Northwest	$ 28,706,418	$ 40,550,832	40%	$ 16,294,283	$ 12,412,135

IV. Federal Support by Carrier

OR	Pacific Northwest Bell-Oregon	$ 42,733,923	$ 40,550,832	60%	$ 24,256,549	$ 18,477,374
PA	Bell Of Pennsylvania	$ 81,090,247	$ 127,382,559	64%	$ 81,090,247	$ -
PA	GTE North Inc-Pa And Contel	$ 46,292,312	$ 127,382,559	36%	$ 46,292,312	$ -
RI	New England Tel-Ri	$ 6,503,254	$ 6,503,254	100%	$ 6,503,254	$ -
SC	GTE South Inc - South Carolina	$ 20,100,305	$ 36,252,240	16%	$ 5,961,875	$ 14,138,429
SC	Southern Bell-Sc	$ 102,123,165	$ 36,252,240	84%	$ 30,290,365	$ 71,832,800
SD	Northwestern Bell-South Dakota	$ 26,246,333	$ 6,303,696	100%	$ 6,303,696	$ 19,942,637
TN	South Central Bell-Tn	$ 195,551,552	$ 64,874,256	90%	$ 58,384,506	$ 137,167,047
TN	United Inter-Mountain Tel Co-Tn	$ 21,736,602	$ 64,874,256	10%	$ 6,489,750	$ 15,246,851
TX	Central Telephone Company Of Texas	$ 24,005,660	$ 250,650,168	5%	$ 12,165,524	$ 11,840,136
TX	Contel Of Texas Inc Dba GTE Texas	$ 94,052,294	$ 250,650,168	19%	$ 47,663,568	$ 46,388,726
TX	GTE Southwest Inc - Texas	$ 147,599,303	$ 250,650,168	30%	$ 74,799,977	$ 72,799,326
TX	Southwestern Bell-Texas	$ 228,939,018	$ 250,650,168	46%	$ 116,021,099	$ 112,917,919
UT	Mountain Bell-Utah	$ 21,816,999	$ 21,816,999	100%	$ 21,816,999	$ -
VA	C And P Tel Co Of Va	$ 88,030,968	$ 96,525,528	36%	$ 34,624,603	$ 53,406,365
VA	Central Tel Co Of Va	$ 60,699,553	$ 96,525,528	25%	$ 23,874,530	$ 36,825,024
VA	Contel Of Virginia Inc Dba GTE Virgini	$ 71,015,747	$ 96,525,528	29%	$ 27,932,126	$ 43,083,621
VA	United Inter-Mountain Tel Co-Va	$ 25,664,072	$ 96,525,528	10%	$ 10,094,270	$ 15,569,803
VT	New England Tel-Vt	$ 42,916,711	$ 7,520,616	100%	$ 7,520,616	$ 35,396,095
WA	GTE Northwest Inc - Washington	$ 35,275,999	$ 70,280,256	44%	$ 30,642,212	$ 4,633,787
WA	Pacific Northwest Bell-Washington	$ 45,632,202	$ 70,280,256	56%	$ 39,638,044	$ 5,994,158
WI	GTE North Inc-Wi	$ 114,405,281	$ 59,085,048	70%	$ 41,588,175	$ 72,817,106
WI	Wisconsin Bell	$ 48,132,302	$ 59,085,048	30%	$ 17,496,873	$ 30,635,430
WV	C And P Tel Co Of W Va	$ 123,577,394	$ 18,572,616	100%	$ 18,572,616	$ 105,004,778
WY	Mountain Bell-Wyoming	$ 35,118,822	$ 5,422,800	100%	$ 5,422,800	$ 29,696,022
						$3,144,676,563